

## Message Text

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61

ACTION NEA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 EB-11 COME-00 OMB-01 TRSE-00 DRC-01 /103 W

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R 211205Z DEC 73

FM AMCONSUL IZMIR

TO AMEMBASSY ANKARA

INFO AMCONSUL ADANA

AMCONSUL ISTANBUL

SECSTATE WASHDC 1118

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E.O. 11652: N/A

TAGS: ECON, PINT, TU

SUBJECT: PRIVATE SECTOR VIEW OF POLITICAL SITUATION.

SUMMARY: LEADING IZMIR BUSINESSMAN CLAIMS PRIVATE SECTOR, DISTRESSED BY PROLONGED POLITICAL CRISIS, IS RELUCTANT UNDERTAKE NEW PROJECTS. PROSPECT OF RPP GOVERNMENT FRIGHTENING TO MOST OF PRIVATE SECTOR. ANTI-PRIVATE INVESTOR BIAS OF TURKISH LEFT RESULT OF LACK UNDERSTANDING OF DEMOCRATIC SOCIALISM. RATE OF INDUSTRIAL DEVELOPMENT OF IZMIR EXPECTED TO CONTINUE LAG BEHIND ISTANBUL. END SUMMARY.

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1. IN COURSE OF CALL BY CONGEN OFFICERS ON IZMIR INDUSTRIALIST SELCUK YASAR TO DISCUSS POSSIBLE PARTICIPATION OF U.S. FIRM IN MAJOR FERTILIZER FACTORY PROJECT (SEPTEL), YASAR MADE SEVERAL OBSERVATIONS ON CURRENT POLITICAL AND ECONOMIC SITUATION. BECAUSE OF YASAR'S PROMINENT POSITION IN TURKEY'S PRIVATE LIMITED OFFICIAL USE

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INDUSTRIAL SECTOR WE BELIEVE HIS VIEWS ARE OF MORE

THAN ORDINARY INTEREST.

2. YASAR SAID UNCERTAIN POLITICAL SITUATION HAS LED TO NEARLY COMPLETE HALT IN NEW INVESTMENT BY MAJOR TURKISH ENTREPRENEURS. HE COMPLAINED THAT INSTEAD OF WORKING ON NEW PROJECTS INVESTORS HAVE BEEN FORCED TO BECOME POLITICIANS. HE SAID HIS COMPANY'S PLANS TO TRIPLE CAPACITY OF TUBORG BREWERY AND BUILD NEW DYO PAINT FACTORY IN ISTANBUL AREA HAVE BEEN SHELVED. PLANS TO ACQUIRE BY PUBLIC STOCK ISSUE 100 MILLION TL CAPITAL (20 PERCENT OF TOTAL INVESTMENT) FOR NEW FERTILIZER FACTORY ALSO DISRUPTED BY POLITICAL SITUATION.

3. YASAR VERY UNEASY ABOUT FUTURE, ESPECIALLY IF

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RPP SHOULD COME TO POWER EITHER THROUGH NEW ELECTIONS OR MINORITY GOVERNMENT. HE COMPARED ECEVIT TO ALLENDE, ASSERTING TURKEY WOULD BECOME ANOTHER CHILE IF RPP GAINED MAJORITY. AT SAME TIME HOWEVER HE SAID HE BELIEVED PRIVATE INDUSTRIAL ELEMENT OF TURKISH ECONOMY HAD BECOME TOO IMPORTANT TO BE COMPLETELY DESTROYED BY RPP GOVERNMENT.

4. YASAR CONTRASTED SCANDINAVIAN VERSION OF SOCIALISM WITH VIEW OF DEMOCRATIC SOCIALISM HELD BY TURKISH LEFT. HE SAID GENERAL LACK OF UNDERSTANDING OF DEMOCRATIC SOCIALISM MANIFESTED IN LEFT'S BIAS AGAINST PRIVATE INDUSTRIAL DEVELOPMENT, INCLUDING PRIVATE FOREIGN INVESTMENT. HE ASSERTED THAT HE SOCIALLY CONCERNED AND QUITE PREPARED TO ACCEPT HIGH TAXES AND OTHER TRAPPINGS OF WELFARE STATE. HE NOTED THAT AT PRESENT HE AND HIS BUSINESSES AMONG VERY SMALL SEGMENT OF TURKISH SOCIETY THAT COMPLETELY HONEST IN PAYING TAXES.

5. IN ORDER TO CREATE BETTER UNDERSTANDING OF PRIVATE LIMITED OFFICIAL USE

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ENTERPRISE IN PARTICULAR AND OF POLITICAL AND

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ECONOMIC MATTERS IN GENERAL YASAR BEGAN PUBLISHING NEWSPAPER EKSPRES AND NEWS MAGAZINE DEVIR. HE ALLEGED THAT PUBLISHERS OF ALL MAJOR NEWSPAPERS IN

TURKEY WERE EITHER PLAYBOYS OR FANATICS AND THAT UNFORTUNATELY PRESS NOT SERVING ITS PROPER SOCIAL FUNCTION OF PROVIDING ACCURATE ACCOUNTING OF NATIONAL AND WORLD EVENTS. IN RESPONSE TO QUESTION ABOUT DEVIR, YASAR SAID HE HAD RELUCTANTLY CONCLUDED IZMIR NOT PLACE FOR PUBLICATION OF MAGAZINE WITH NATIONAL AMBITIONS AND THAT ON JAN 15 ITS RELOCATION TO ISTANBUL WOULD BE ANNOUNCED. MANAGING EDITOR ALTEMUR KILIC WILL MOVE WITH IT.

6. ASKED ABOUT IZMIR'S FUTURE INDUSTRIAL POTENTIAL VIS-A-VIS ISTANBUL, YASAR SAID HE BELIEVED ISTANBUL WOULD CONTINUE TO GROW MORE RAPIDLY. IN HIS VIEW IZMIR ESSENTIALLY PROVINCIAL CITY, THERE ONLY HANDFUL OF COMPETENT AND INTERESTED INDUSTRIALISTS WHO DO NOT TRUST EACH OTHER AND WILL NOT WORK TOGETHER, AND VENTURE CAPITAL NOT AS AVAILABLE HERE AS IN

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ISTANBUL.

7. COMMENT: YASAR IS IZMIR'S MOST IMPORTANT INDUSTRIAL-IST. HIS COMPANY HAS CONTROLLING INTEREST IN NINE MAJOR PROJECTS IN AREA RANGING FROM TUBORG BREWERY TO LARGE TOURIST VILLAGE COMPLEX BEING BUILT AT CESME. IN THESE AND MOST OTHER PROJECTS YASAR HAS RELIED HEAVILY ON DANISH PARTICIPATION. YASAR IS ATTRACTIVE AND PERSUASIVE SPOKESMAN OF PRIVATE INDUSTRIAL SECTOR. HE IS VERY MUCH KIND OF BUSINESSMAN OF WHOM TURKEY IS IN NEED IF IT IS TO DEVELOP STRONG PRIVATE SECTOR. FOR THIS REASON HIS DEEP CONCERN LIMITED OFFICIAL USE

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WITH POLITICAL SITUATION IS PARTICULARLY STRIKING. IF HIS VIEWS ARE SHARED BY MOST OF HIS PEERS, PRIVATE INVESTMENT AND NATIONAL DEVELOPMENT COULD DECLINE APPRECIABLY UNTIL POLITICAL CLIMATE DEVELOPS IN WHICH TURKISH PRIVATE SECTOR HAS MORE CONFIDENCE (I.E. JUSTICE PARTY).

8. IT SEEMS POSSIBLE TO US THAT ENTREPRENEURIAL RELUCTANCE TO INVEST UNDER RPP REGIME COULD BE INTERPRETED BY RPP AS ATTEMPT TO UNDERMINE ADMINIS-

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TRATION AND COULD THEREBY INTENSIFY ANTIPATHY MANY

RPP OFFICIALS FEEL TOWARD PRIVATE SECTOR. RPP MIGHT THEN TAKE MEASURES WHICH COULD IN EYES OF INDUSTRIALISTS FULLY VINDICATE THEIR EARLIER DECISION TO HOLD BACK. LACK OF UNDERSTANDING AND COMMUNICATION BETWEEN THESE TWO IMPORTANT ELEMENTS COULD HAVE PAINFUL CONSEQUENCES. YASAR CLAIMS TO BE DEEPLY COMMITTED TO DEMOCRACY, BUT EVEN AT THIS EARLY STAGE HE QUITE DISTURBED BY THE UNCERTAINTIES THAT CAN BE NORMAL PART OF DEMOCRATIC PROCESS. IN SUCH CIRCUMSTANCES, HE AND OTHERS IN A SMILAR POSITION MIGHT BE TEMPTED TO ACCEPT RESTRAINTS ON DEMOCRATIC PROCESSES IN RETURN FOR WHAT THEY VIEW AS "STABILITY" WHICH MIGHT ONCE AGAIN BE SHORTHAND FOR MILITARY INTERVENTION. END COMMENT.  
SMITH

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